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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**FOLLOW-UP REVIEW  
OF CONTROLS OVER  
SUPPLEMENTAL SECURITY INCOME  
REPLACEMENT CHECKS**

**September 2006**

**A-05-06-26058**

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**AUDIT REPORT**

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## **Mission**

**By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.**

## **Authority**

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# SOCIAL SECURITY

## MEMORANDUM

Date: September 6, 2006

Refer To:

To: The Commissioner

From: Inspector General

Subject: Follow-up Review of Controls over Supplemental Security Income Replacement Checks (A-05-06-26058)

## OBJECTIVE

Our objective was to determine the status of corrective actions the Social Security Administration (SSA) has taken to address the recommendations in our September 2003 report, *Controls Over Supplemental Security Income (SSI) Replacement Checks* (A-05-03-13010).

## BACKGROUND

In 1972, Title XVI of the Social Security Act (The Act) established the SSI program.<sup>1</sup> SSI is a nationwide Federal cash assistance program administered by SSA that guarantees a minimum level of income to financially needy individuals who are aged blind or disabled.<sup>2</sup> SSI payments are financed from the general fund of the United States Department of the Treasury (Treasury).<sup>3</sup>

SSA has procedures to replace monthly SSI checks that recipients claim were not received.<sup>4</sup> Usually, when nonreceipt is reported, the payment is replaced with a courtesy disbursement/replacement check before Treasury determines the status of the original payment.<sup>5</sup> However, SSA may choose to direct Treasury to investigate the status of the original check before issuing a replacement check. This option can be exercised in two situations:

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<sup>1</sup> The Act § 1601, *et seq.*; 42 U.S.C. § 1381 *et seq.* See also 20 C.F.R. § 416.101 *et seq.*

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> SSA, Program Operations Manual System (POMS) GN 02406.002.B.

<sup>5</sup> SSA, POMS GN 02406.150.A.

- SSA has information that an individual either misused or abused the replacement check process within the last 24 months, or
- SSA has information that the individual is unsure if the check was received.<sup>6</sup>

A double check negotiation (DCN) occurs when a person cashes two checks for the same month in a 24-month period that results in an overpayment with no forgery involved. Further investigation of the DCN is often needed to determine if both checks were actually cashed by the representative payee or recipient (referred to by SSA as a true DCN) or if forgery by an unauthorized individual was involved.<sup>7</sup>

Our September 2003 audit determined that the number of DCNs and related overpayments increased to a significant level in recent years.<sup>8</sup> We estimated that SSA could realize about \$137.5 million in program savings over a 5-year period if SSA took additional actions to deter individuals from initiating multiple DCNs and recovered related overpayments timely.

With regards to the recommendations in our September 2003 report, SSA agreed to:

- Develop a national replacement check refresher training package for employees.
- Work with the Office of the Inspector General (OIG) to build an Administrative Sanctions flag into the electronic Form SSA-8551 (OIG Referral of Potential Violation).
- Support a study sponsored by Treasury to determine why Social Security beneficiaries and SSI check recipients are reluctant to sign up for direct deposit.
- Develop action plans to assist field offices (FO) with high numbers of DCNs by improving front-end processing. Also, ensure that FOs refer individuals with multiple DCNs to the OIG for potential prosecution or, if declined, to regional offices (RO) for administrative sanctions.
- Work with the Treasury's Financial Management Service to obtain DCN information.

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<sup>6</sup> SSA, POMS GN 02406.002.B.7.

<sup>7</sup> SSA, Administrative Message AM-06024 REV, *Desk Guide for the Double Check Negotiation (DCN) Process--Information*, January 31, 2006, revised February 2, 2006, states that if an overpayment is being collected for the DCN, then it is a true DCN.

<sup>8</sup> *Controls over Supplemental Security Income Replacement Checks (A-05-03-13010)*, September 2003.

## RESULTS OF REVIEW

Our review disclosed that SSA implemented corrective actions to generally address the recommendations in our September 2003 report. With respect to obtaining DCN information from Treasury, SSA anticipates working with Treasury in Fiscal Year (FY) 2007 to develop a process to exchange DCN information.

While SSA took corrective actions, we found that SSA would benefit by taking additional steps to prevent and recover DCN overpayments. During this follow-up audit, we reviewed records for 338 SSI recipients who had 3 or more DCNs in a quarter during the 12-month period ending March 31, 2005. We found that the SSI records did not always contain the required remark about the case involving DCN abuse. Also, SSA rarely followed procedures to recover DCN overpayments at the maximum allowable rate. Furthermore, over one-third of the SSI recipients with multiple DCNs were under the care of a representative payee. Also, we found that SSA seldom changed representative payees even though they abused the DCN process.

## CORRECTIVE ACTIONS TAKEN BY SSA ON PRIOR RECOMMENDATIONS

With respect to the recommendations in our 2003 report, we found that:

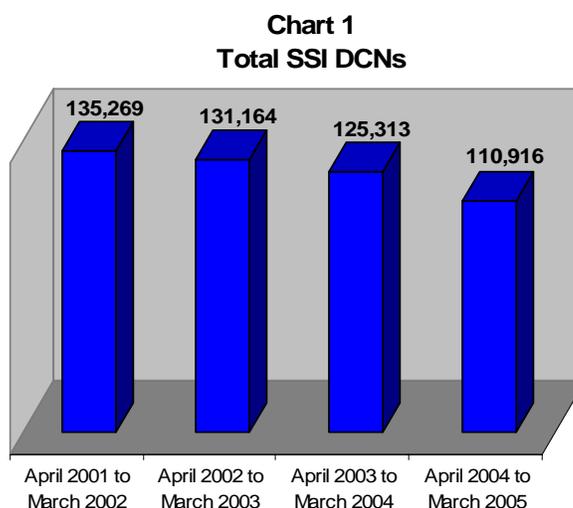
- SSA conducted replacement check refresher training for its employees in December 2004 via Interactive Video Training. The training emphasized true DCNs as well as the required inputs, messages, processing, and options to prevent multiple DCNs. The training also described the various system stop payment inputs and outlined the correct procedures for photocopy requests and the policy for unnegotiated checks.
- SSA issued policy and procedures reminders for administrative sanctions.<sup>9</sup> Additionally, an administrative sanctions flag was built into the electronic SSA-8551, OIG Referral of Potential Violation.
- SSA participated in Federal initiatives to promote direct deposit and electronic transfers accounts. For example, SSA and Treasury sent payment envelope inserts that explained direct deposit to SSI recipients that receive benefits by mail. Additionally, SSA participated in a research study sponsored by Treasury to determine why Social Security beneficiaries and SSI check recipients are reluctant to sign up for direct deposit. According to SSA, the percentage of SSI payments that were issued by direct deposit increased from 51 percent in 2002 to almost 56 percent in 2005.

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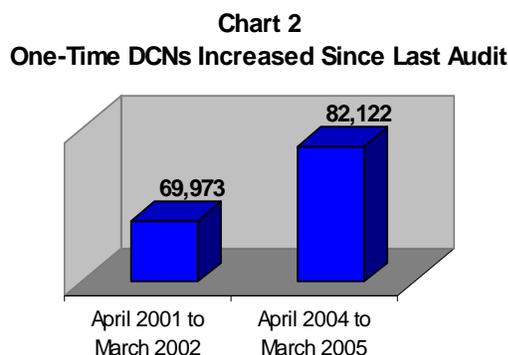
<sup>9</sup> SSA issued emergency message *EM-02118 Administrative Sanctions-Action* on October 31, 2002, and administrative message *AM-06061 Administrative Sanctions-Reminder* on March 10, 2006. SSA also issued reminders in regional program circulars, such as *CH 2003-058 Administrative Sanctions/Double Check Negotiations* on October 28, 2003 and *KC 05-01 GS Administrative Sanctions and Nonreceipt* on February 24, 2005.

- SSA provided DCN data to the ROs on a regular basis for review and follow-up. We also found that some ROs provided updates to SSA Central Office on the actions taken to process the DCN data. Furthermore, staff at three of the four ROs we interviewed indicated that they further disseminated the DCN data to FOs for review and follow-up. For example, to address concerns about the volume of DCNs at one FO, staff at the Chicago RO instituted management review and approval procedures for all replacement check cases, and they requested that the FO report the actions taken every week until improvements were made.
- SSA agreed to work with Treasury to obtain DCN information. However, SSA and Treasury have not yet developed a process to exchange DCN information. Moreover, SSA informed OIG that it plans to begin the planning and analysis for a DCN exchange process in FY 2007.

SSA's efforts, including the actions taken to address our prior audit recommendations, have successfully reduced the total number of SSI DCNs. As shown in Chart 1, the total number of SSI DCNs decreased 18 percent from 135,269 in March 2002 to 110,916 in March 2005.



Despite the decline in total SSI DCNs, the number of one-time SSI DCNs increased 17 percent from 69,973 in March 2002 to 82,122 in March 2005, as shown in Chart 2. Our review did not disclose why the increase occurred. However, SSA's current procedures direct Treasury to determine the status of the original payment before a replacement check is issued when SSA has information that an individual either misused or abused



the replacement check process within the last 24 months. For these one-time DCNs, SSA would not have information on misuse or abuse. Therefore, SSA is limited in its ability to prevent one-time DCNs.

### **REVIEW OF RECIPIENTS WITH THREE OR MORE DCNs**

As part of this follow-up audit, we reviewed 338 records for SSI recipients who had 3 or more DCNs in any quarter during the 12-month period ending March 31, 2005. These recipients negotiated true DCNs that resulted in overpayments of \$698,678.<sup>10</sup> We found that the SSI records did not always contain the required remark about DCN abuse. We also found that SSA rarely followed procedures to recover DCN overpayments at the maximum allowable rate. Furthermore, we found that over one-third of the SSI recipients with multiple DCNs were under the care of a representative payee. However, we also found that SSA seldom changed representative payees even though they abused the DCN process. The table below summarizes the number of DCNs for the 338 SSI recipients.

<b>Number of DCNs</b>	<b>SSI Recipients</b>
3	140
4	111
5	56
6	20
7	10
8	1
<b>Total</b>	<b>338</b>

### **Remarks on the SSI Record**

We found that for 93 of the 338 recipients in our review, the SSI record did not contain the required remark about the case involving DCN abuse.<sup>11</sup> SSA policy states that the phrase “DCN Abuse – Input as C-stop until mm/yy” should be added in the remarks field if after 60 days an appeal is not filed or an overpayment is not protested.<sup>12</sup> SSA should remind employees to enter appropriate remarks on SSI records that involve DCN abuse.

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<sup>10</sup> See Appendix C for a full discussion of the audit population.

<sup>11</sup> SSA, POMS GN 02406.150.A.2 states that “DCN Abuse Case – Input as C Stop until mm/yy” should be added to the remarks field.

<sup>12</sup> SSA, POMS GN 02406.300.D.5.

## DCN Overpayment Recovery Rates

While SSA has taken overpayment recovery actions on the 338 recipients with DCN overpayments, we found that SSA rarely applied the 100 percent recovery option.<sup>13</sup> Rather, SSA recovered the majority of the DCN overpayments at the minimum rate of 10 percent.<sup>14</sup> The following table summarizes the overpayment recovery rates for the 338 recipients at the time of our review.

DCN Overpayment Recovery Rates	Number of Recipients
Not recovered <sup>15</sup>	19
Less than 10 percent (1 to 9 percent)	20
At 10 percent	199
Greater than 10 percent (11 to 99 percent)	60
At 100 percent	18
Installment and cross-program recovery	21
Refund <sup>16</sup>	1
<b>Total</b>	<b>338</b>

SSA policy states that DCN overpayments can be collected at 100 percent if the individual was determined to be at fault because he or she cashed both the original and replacement check payments.<sup>17</sup> In February 2006, SSA instructed employees to emphasize to recipients that “overpayments for cashing duplicate checks cannot be waived”<sup>18</sup> and “100 percent withholding would apply.”<sup>19</sup> SSA should ensure that true DCN overpayments are recovered at the 100 percent rate when feasible.

<sup>13</sup> SSA POMS SI 02220.016.A.2.e states that DCN overpayments are an exception to the 10 percent rate of payment adjustment and should be recovered at 100 percent.

<sup>14</sup> The Act § 1631(b)(1)(B) provides that the rate of payment adjustment to recover SSI overpayments will be lesser of 10 percent of the recipient’s total monthly income or the entire monthly benefit. See also SSA, POMS SI 02220.016.A.

<sup>15</sup> We found 19 instances where SSA either (1) waived the DCN overpayment, (2) found the recipient unable or unwilling to pay, or (3) considered the overpayment to be uncollectible.

<sup>16</sup> We found one instance where the recipient repaid SSA for the entire DCN overpayment.

<sup>17</sup> SSA, POMS SI 02220.016.A.2 and SI 02220.016.C.5.

<sup>18</sup> SSA, POMS SI 02201.005.A.5.c states that a waiver is a request for release from the responsibility of repayment. See also POMS SI 02260.030.C.4.

<sup>19</sup> SSA, Administrative Message AM-06024 REV, *Desk Guide for the Double Check Negotiation (DCN) Process--Information*, January 31, 2006, revised February 2, 2006.

## Representative Payee Determinations

Our review disclosed that 125 of the 338 SSI recipients with multiple DCN abuses received benefits through a representative payee. As reflected in the table below, the representative payee was a parent or relative for 110 of the 125 recipients. SSA instructions state that a change in representative payee should be considered if the payee caused the DCN.<sup>20</sup> However, we found that only 9 of 125 recipients had representative payee changes following DCN abuse. We could not specifically attribute the change in representative payee solely to multiple DCN abuse because SSA's Representative Payee System (RPS) only provides generic descriptions of the reason a representative payee is terminated, such as "Direct Payment," "More Suitable Payee," or "Custody Change." The RPS does not state that the change in representative payee was due to DCN abuse. SSA should remind employees to consider a representative payee change to avoid future DCNs when the representative payee abuses the replacement check process.

Representative Payee	SSI Recipients
Parent	84
Grandparent	6
Spouse	2
Child	1
Relative	17
Agency/Organization	6
Other	9
<b>Total</b>	<b>125</b>

## CONCLUSION AND RECOMMENDATIONS

We recognize that SSA has taken actions to address the recommendations in our prior report. However, SSA would benefit by taking additional steps to prevent and recover DCN overpayments. Therefore, we recommend that SSA:

1. Work with Treasury to design and implement a process to exchange DCN information.
2. Remind FO employees to enter the required remarks on SSI records that involve DCN abuse.

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<sup>20</sup> *Id.*

3. Ensure that true DCN overpayments are recovered at the 100 percent rate when feasible.
4. Remind FO employees to determine if a change in the representative payee is warranted when DCN abuse is confirmed.

## **AGENCY COMMENTS**

SSA agreed with our recommendations. The Agency's comments are included in Appendix D.



Patrick P. O'Carroll, Jr.

# *Appendices*

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APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Population and Review Results

APPENDIX D – Agency Comments

APPENDIX E – OIG Contacts and Staff Acknowledgments

## Acronyms

The Act	Social Security Act
C.F.R.	Code of Federal Regulations
DCN	Double Check Negotiation
FO	Field Office
OIG	Office of the Inspector General
POMS	Program Operations Manual System
RO	Regional Office
RPS	Representative Payee System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Income Record
TCIS	Treasury Check Information System
Treasury	United States Department of the Treasury
U.S.C.	United States Code

# Scope and Methodology

To accomplish our objective we:

- Reviewed pertinent sections from:
  - Program Operations Manual System GN 02402, GN 02406, GN 02604, SI 02201, SI 02220, SM 01315, and SM 01601
  - 20 Code of Federal Regulations Sections 416.101 and 416.110
  - 42 United States Code Sections 1381 and 1383
  - Sections 1601 and 1631 of The Social Security Act
- Reviewed the Social Security Administration (SSA) Office of the Inspector General audit report *Controls Over Supplemental Security Income Replacement Checks* (CIN: A-05-03-13010).
- Interviewed SSA staff from the Office of the Deputy Commissioner for Operations to determine the status of corrective actions SSA took on the prior audit recommendations. We also interviewed staff at the Atlanta, Chicago, Dallas, and San Francisco Regional Offices. We selected the four regions with the highest number of double check negotiation (DCN) occurrences in their respective service areas during April 2004 through March 2005. Additionally, we interviewed SSA field office staff at the Memphis (Downtown) and Milwaukee (North) offices.
- Reviewed SSA replacement check trend information for the period April 2001 through March 2005.
- Obtained four quarterly data files from the Office of Operations of Supplemental Security Income recipients who had DCNs from April 2004 through March 2005, and reviewed Supplemental Security Income Records (SSR) for recipients with three or more DCNs.<sup>1</sup>

We conducted our audit in Chicago, Illinois; Memphis, Tennessee; and Milwaukee, Wisconsin between October 2005 and March 2006. We determined that the data used for this audit were sufficiently reliable to meet our audit objectives. The entity audited was the Office of Operations. We conducted our audit in accordance with generally accepted government auditing standards.

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<sup>1</sup> We relied on the overpayment amount that was posted by SSA on the SSR; therefore, we did not determine if the posted overpayments were accurate.

### Population and Review Results

Social Security Administration (SSA) provided 4 quarterly double check negotiation (DCN) files which contained 110,916 DCNs that occurred during the audit period April 2004 through March 2005. The file contained 383 unique Social Security numbers (SSN) for Supplemental Security Income recipients with 3 or more DCN occurrences in any quarter between April 2004 and March 2005.

We reviewed the Supplemental Security Income Records (SSR) for all 383 recipients. We also reviewed the SSR fields that contained remarks, direct deposit information, representative payee (if any), payment history, and overpayment/recovery decisions.

We found that the number of DCN occurrences for the 383 records in the data file we obtained from SSA corresponded with the DCNs recorded on each recipient's SSR records. However, we noted that in couples' cases, SSA combined the total number of DCNs for both spouses under the SSN of one member of the couple. Consequently, if both members of a couple had three or more DCNs during the audit period both individuals were included in our review; however, if neither spouse had three or more DCNs during the audit period, we excluded both cases in our review. As a result, we added 2 spouses and excluded 47 couples from our universe, resulting in an audit population of 338 recipients.

## Agency Comments



## SOCIAL SECURITY

### MEMORANDUM

**Date:** August 30, 2006 **Refer To:** S1J-3

**To:** Patrick P. O'Carroll, Jr.  
Inspector General

**From:** Larry W. Dye /s/  
Chief of Staff

**Subject:** Office of the Inspector General (OIG) Draft Report, "Follow-Up Review of Controls Over Supplemental Security Income Replacement Checks" (A-05-06-26058)--INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the draft report's recommendations are attached.

Please let me know if you have any questions. Staff inquiries may be directed to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Attachment:  
SSA Response

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL’S (OIG) DRAFT REPORT, “FOLLOW-UP REVIEW OF CONTROLS OVER SUPPLEMENTAL SECURITY INCOME REPLACEMENT CHECKS” (A-05-06-26058)**

Thank you for the opportunity to review and provide comments on this draft report. Historically, double check negotiation (DCN) has been a difficult issue. One of the difficulties is that there is a lag period between the time a beneficiary/recipient alleges non-receipt and the time that it takes the Department of Treasury (Treasury) to make a forgery determination, which is necessary for SSA to determine whether a true DCN exists.

In October 1997, a new non-receipt policy was established as a result of the Robinson-Reyf Settlement Agreement. The policy change required that SSA process a request for a replacement check to be released immediately for non-receipt of recurring present month and previous month benefit checks when DCN abuse was not present. If the beneficiary/recipient is unable to determine if a benefit check was received and they are a known and proven abuser of the non-receipt reporting system, SSA forwards the replacement check request to Treasury to determine the status of the first check before a replacement check is issued. In March 2003, additional changes to the procedure were released in an Emergency Message (EM) 03028 and are now reflected in the Telephone Support Center Operating Guide. This change shows how the 800-number agents process non-receipt allegations when a DCN abuse alert message is indicated on the Supplemental Security Record (SSR). When the alert message is present, agents should determine if the DCN date is within the 24-month period. If it is, then agents should send the request for a replacement check to Treasury for investigation.

Additionally, in February 2006 a desk guide, DCN Process, was released via an Administrative Message (AM) 06024-REV. This desk guide was created as a result of the Cooperative Efforts Workgroup, which completed a project to review the DCN process in the Program Service Centers, Field Offices (FO) and Teleservice Centers. The purpose of the review was to ascertain best practices and promote adoption of these best practices. The review identified best practices to improve control mechanisms and to improve inter-component coordination. Process flaws were also identified that could contribute to claimant abuse of the DCN process. We believe that these findings, which have been incorporated into the 2006 desk guide, will be a valuable tool in reducing employee time in handling DCN situations as well as reducing the number of duplicate payments being issued.

**Recommendation 1**

Work with Treasury to design and implement a process to exchange DCN information.

**Comment**

We agree. We are currently awaiting the availability of Treasury resources to discuss this proposed interface. Treasury currently is working on the implementation of the Treasury Check Information System.

## **Recommendation 2**

Remind Field Office (FO) employees to enter the required remarks on Supplemental Security Income records that involve DCN abuse.

### **Comment**

We agree. We have reminded FO employees of the proper procedures for annotating the system regarding DCN abuse through EM-03028 (March 2003), AM-06024 REV (January 2006) and Interactive Video Training (December 2004) on the non-receipt and DCN issues.

## **Recommendation 3**

Ensure that true DCN overpayments are recovered at the 100 percent rate when feasible.

### **Comment**

We agree. The current policy allows the FO discretion in whether to apply 100 percent withholding and does not make it mandatory. We will release an AM to remind FO employees of the current withholding policy of 100 percent where the beneficiary/recipient was determined to be at fault unless the FO determines 100 percent withholding to be inappropriate. The FOs are in the best position to assess the impact on the beneficiary to determine an appropriate percentage withholding for repayment of a DCN.

## **Recommendation 4**

Remind FO employees to determine if a change in representative payee is warranted when DCN abuse is confirmed.

### **Comment**

We agree. We will release an AM to remind FOs to determine if a change in representative payee is warranted in all cases where DCN abuse is confirmed. It should be noted that 84 of the 125 representative payee cases in this review were the parents of the beneficiary. It may not be feasible to change a payee when the current payee is very high on the representative payee preference list unless SSA has established misuse beyond a doubt.

Early this year, we developed a proposal to consider an automated way to create a “smart alert” system to notify technicians of identified DCN abusers. Currently, the proposal is under review for consideration of development. If we are successful in finding a way to identify DCN abusers through automation, we can establish a set of concrete rules governing DCN abusers which can include a mandate that a determination be made as to whether a change in representative payee is warranted in all cases where DCN abuse is confirmed.

## **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Mark Bailey, Director, Chicago Audit Division (816) 936-5591

Teresa S. Williams, Audit Manager, Chicago, Illinois (312) 353-0331

### ***Acknowledgments***

In addition to those named above:

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